BRITISH COLUMBIA RAILWAY COMPANY

2008

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BRITISH COLUMBIA
The Best Place on Earth

MESSAGE FROM THE CHAIR OF THE BOARD

Overview

I am pleased to present the 2008 Annual Report for British Columbia Railway Company ("BCRC" or "the Company"), a commercial Crown corporation with 100% of its shares owned by the Province of British Columbia ("the Shareholder"). Previous annual reports can be located at www.bcrco.com/financial.html.

This report reviews the activities of BCRC during 2008 in fulfilment of its mandate as outlined in the 2008-2010 Service Plan and changes to its mandate by the Shareholder that occurred during 2008. This report also presents the plans and expectations for the Company as it goes forward, as set forth in the Annual Service Plans of 2008-2010 and 2009-2011.

BCRC's primary mandate is to support and facilitate the British Columbia Ports Strategy ("BC Ports Strategy") and Pacific Gateway Strategy, by providing consulting advice, acquiring and holding railway corridor and strategic port lands, and making related infrastructure investments for the Province.

BCRC fulfills this mandate through its management of the Revitalization Agreement between the Company and Canadian National Railway Company ("CN Rail"); its management of the Vancouver Wharves marine terminal operating lease with Kinder Morgan Canada Terminals ("Kinder Morgan"); ownership of the BCR Port Subdivision Ltd., the 24-mile railway line accessing the port terminals at Roberts Bank; and acquisition and retention by BCR Properties Ltd. of key lands which support port terminal operations. BCRC, through its subsidiary BCR Properties Ltd., has also retained ownership of port-related lands, including those upon which the Vancouver Wharves and Squamish Terminals port facilities operate.

2008 Operating Results

During 2008, the Company met all its specific mandated objectives during the year and continued to work toward its mandate of acquiring and holding railway corridors and strategic port lands and making related infrastructure investments to support the Pacific Gateway Strategy.

The Company earned net income of $37.7 million during 2008, compared with $19.6 million in 2007 and a budget for 2008 of $75.5 million. The net income variance from budget is substantially attributable to real estate sales revenue, which was lower than budget offset by higher than budgeted operating income.

The Company is continuing to dispose of all real estate holdings and other assets not required for freight railway corridors or port terminal operations in a manner that captures full market value and maximizes the financial return from those assets. A total of 43 parcels of land were sold during the year for net proceeds of $36.3 million. The land disposition process, which requires various approvals from government departments and municipalities for environmental remediation, re-zoning and subdivisions, has taken longer than anticipated. Management continued to work with various levels of government to accelerate the process and anticipates that the Company's remaining surplus properties will be sold by the end of 2010.

Plans and Expectations

BCRC's specific mandated objectives as included in the 2008-2010 Annual Service Plan and the 2009-2011 Annual Service Plan are:

- Management of its long-term lease with CN Rail of the former BC Rail corridor lands and track infrastructure.
- Ownership and management of BCR Port Subdivision Ltd., which manages the 24-mile railway line accessing the port terminals at Roberts Bank.
- Continued disposition of all non-railway and non-port related property holdings by BCRC's subsidiary, BCR Properties Ltd. Subject to changes in the economic environment, this objective should be substantially complete by the end of 2010.
- Retention and management of land occupied by Vancouver Wharves and Squamish Terminals and management of the operating lease with Kinder Morgan.
- Support for and facilitation of the BC Ports Strategy and Pacific Gateway Strategy, by providing advice, acquiring and holding railway corridor and strategic port lands, and making related infrastructure investments for the Province.
- Fulfilling it's obligation and oversight responsibilities relating to adherence to environmental laws and regulations.

BCRC will also comply with the Shareholder's requirements to make the public sector carbon neutral by 2010, including measuring and reducing greenhouse gas emissions from the Company's operations and, where necessary, offsetting remaining emissions through investments in the Pacific Carbon Trust.

Accountability

The British Columbia Railway Company 2008 Annual Report was prepared under my direction in accordance with the Budget Transparency and Accountability Act. I am accountable for the contents of the report. The information presented has been prepared in accordance with the BC Reporting Principles and reflects the actual performance of the Company for the 12 months ended December 31, 2008. The measures presented are consistent with BCRC's mission, goals and objectives, and focus on aspects critical to the organization's performance. I am responsible for ensuring internal controls are in place to measure performance in an accurate and timely fashion.

All significant decisions, events and identified risks, as of December 31, 2008, have been considered in preparing the report. The report contains estimates and interpretive information that represent the best judgment of management. Any changes in mandate direction, goals, objectives, strategies, measures or targets made since the 2008-2010 Annual Service Plan was published in February 2008 and any significant limitations in the reliability of data are identified in the report.

John McLernon, Chair

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ORGANIZATIONAL OVERVIEW

Enabling Legislation

British Columbia Railway Company ("BCRC" or "the Company") is a commercial Crown corporation with 100% of its shares owned by the Province of British Columbia ("the Shareholder"). The Company is governed by two principal pieces of legislation. The *British Columbia Railway Act* establishes the Company's structure, responsibilities and accountabilities. The *British Columbia Railway Finance Act* establishes the borrowing and investment framework for BCRC. BCRC must also meet the requirements of the *Financial Administration Act* and the *Budget Transparency and Accountability Act.*

Mandate

BCRC's primary mandate is to support and facilitate the British Columbia Ports Strategy ("BC Ports Strategy") and Pacific Gateway Strategy by providing consulting advice, acquiring and holding railway corridor and strategic port lands, and making related infrastructure investments to enhance Shareholder value for the benefit of the Province.

BCRC continues to own the former BC Rail right-of-way and railway track infrastructure to protect the long-term strategic value of the railway corridor, and leases those assets to Canadian National Railway Company ("CN Rail"), through the Revitalization Agreement, for the purposes of operating a freight railway.

Consistent with the government's Ports Strategy and Pacific Gateway Strategy, BCRC has retained ownership of the BCR Port Subdivision Ltd. ("BCR Port Subdivision") railway operation, a critical link in the Roberts Bank Rail Corridor, which provides open, neutral rail access to the port terminals at Roberts Bank. BCRC, through its subsidiary BCR Properties Ltd. ("BCR Properties"), has also retained ownership of port-related lands, including those upon which the Vancouver Wharves and Squamish Terminals port facilities operate.

In its long-term role as landlord of these strategic lands, BCRC will have an ongoing accountability to manage the Revitalization Agreement with CN Rail as well as the Operating Lease Agreement with Kinder Morgan Canada Terminals ("Kinder Morgan"), for the operation of the Vancouver Wharves' marine terminal facilities.

The Company's 2008-2010 Service Plan reflected this mandate.

2008 Shareholder's Letter of Expectations

The following table shows government's direction from the 2008 Shareholder's Letter of Expectations ("SLE") and the actions the Company has taken to achieve each direction during the year:

• SLE Direction	• Results During 2008
• support and facilitate the BC Ports Strategy and Pacific Gateway Strategy;	• provided advice and support to the Shareholder and other stakeholders, in the development and implementation of strategies and actions to further the Pacific Gateway Strategy; • secured through purchase, option or other means, lands suitable for supporting the objectives as outlined in the Shareholder's Pacific Gateway Strategy; • worked with Partnerships BC to ensure that the Provincial capital standard was applied to projects; • Advised Treasury Board of any potential individual project over $50 million;
• continue to own and operate BCR Port Subdivision;	• managed all aspects of BCR Port Subdivision rail operations;
• on-going accountability to ensure effective and efficient management of the Revitalization Agreement between the Company and CN Rail;	• administered the Revitalization Agreement and prepared quarterly reports for the Shareholder on the status of the long-term lease with CN Rail;
• on-going accountability to ensure effective and efficient management of the Operating Lease Agreement between the Company and Kinder Morgan;	• administered the operating lease agreement and prepared quarterly reports for the Shareholder on the status of the long-term lease with Kinder Morgan;
• continue to dispose of the residual assets and wind down entities currently owned and operated by the Company that are not required to preserve the railway right-of-way, rail bed and track infrastructure; or not required to support the freight railway under the Revitalization Agreement; or not assets or entities that support the Pacific Gateway Strategy;	• continued to dispose of remaining real estate assets and wind down operating entities, owned by the Corporation in a manner that maximized a commercial return to the Shareholder; • prepared quarterly reports for the Board of Directors on the status of real estate dispositions and wind down activities, identifying all financial impacts anticipated to result;
• comply with the Shareholder's requirements to make the Public Sector carbon neutral by 2010.	• submitted BCRC carbon neutral action report for 2008 to the Climate Action Secretariat.

2009 Shareholder's Letter of Expectations

In February of 2009, the Shareholder's Letter of Expectations re-affirmed the 2008 mandate, including direction to dispose of residual assets and wind down entities currently owned and operated by the Company that are not required to support and facilitate the BC Ports Strategy and Pacific Gateway Strategy.

The Shareholder also directed the Company to work with Partnerships BC to ensure that the Provincial capital standard is applied to capital projects and to return to Treasury Board for approval of the final Pacific Environment Centre ("PEC") settlement agreement and approval for any individual project over $50 million.

Accordingly, the Company is proceeding to comply with this mandate and will report on progress in its 2009 Annual Report.

Core Business Areas and Services

BCRC is a commercial Crown corporation and operates without government subsidies. Borrowing is done through the Ministry of Finance and full financial reporting is provided according to the provisions of the *Budget Transparency and Accountability Act*.

BCRC is principally a holding company with its commercial and business activities conducted through its operating subsidiaries, including:

BCR Port Subdivision Ltd. ("BCR Port Subdivision")

This wholly owned subsidiary operates the 24-mile railway line connecting three major railways (CN Rail, Canadian Pacific Railway and BNSF Railway) with the port terminals at Roberts Bank. Although it does not operate its own trains on this railway line, BCR Port Subdivision maintains the track and manages all train operations, recovering its costs from the three user railways based on their respective share of traffic over the line. BCR Port Subdivision is regulated provincially under the British Columbia Safety Authority.

BCR Properties Ltd. ("BCR Properties")

This wholly owned subsidiary owns and manages the Company's non-railway real estate portfolio. This includes retention and management of the strategic port-related lands including lands associated with Vancouver Wharves and Squamish Terminals operations. The remaining portfolio of commercial, industrial and vacant land and buildings represents those non-strategic surplus real estate assets, the majority of which are slated for disposition by the end of 2010.

BCR Captive Insurance Co. Ltd. ("BCR Captive")

Until January 31, 2008, this wholly owned insurance company provided primary property, general liability, terminal operator's liability, automobile physical damage and excess automobile liability coverage to BCRC and any subsidiary in which BCRC had a controlling interest. Effective February 1, 2008, BCRC obtained its insurance from independent third party insurers. BCR Captive was subsequently wound up on November 30, 2008. Any outstanding claims and obligations of BCR Captive were assumed by BCRC at windup.

Each of the above subsidiaries has its own operational management, which reports through to the senior management and Board of BCRC. In addition, BCRC owns several other non-operational subsidiaries, which either have been or are in the process of being wound up and/or dissolved. Since 2004, 15 of these subsidiaries have been dissolved.

Benefit to the Public

The main benefit to the public of BCRC's operations comes from its role in helping to implement the Shareholder's BC Ports Strategy and Pacific Gateway Strategy. These strategies will add billions of dollars of economic output and more than 30,000 jobs in British Columbia by 2020 by expanding and increasing the efficiency of the province's transportation infrastructure. While increasing the province's capacity to serve export markets, it will also directly benefit British Columbians by improving movement of people and goods, facilitating economic growth, increasing transportation choices and enhancing connections to designated population growth areas.

The strategic direction for BCRC, as established by the Shareholder's Letter of Expectations, incorporates the above priority initiatives and actions.

BCRC's vision is to fulfill its mandate as defined by the Shareholder's Letter of Expectations, guided by its values of integrity, fiscal responsibility, accountability, safety and respect.

Location

The corporate offices of BCRC and its subsidiaries are located at Suite 600 – 221 West Esplanade, North Vancouver, British Columbia, V7M 3J3. BCR Port Subdivision also has an operations facility located near Roberts Bank at 3885 Deltaport Way, but all business and administrative functions are managed through the BCRC corporate office in North Vancouver.

2008 PERFORMANCE

2008 Goals and Targets

The removal of direct operating responsibility for freight railway operations through the 2004 transaction with CN Rail fundamentally changed BCRC's mandate, structure and operating environment. As a result, BCRC worked through a transition period as its mandate evolved in the years immediately following the completion of the CN Rail transaction. Since the 2006 changes to its mandate, BCRC has transitioned into a continuing operation, with the new role of BCRC as a supporting resource to the government's BC Ports Strategy and Pacific Gateway Strategy.

The identified 2008 goals and targets, as listed in the 2008 – 2010 Service Plan, located at www.gov.bc.ca/cas/agencies/bcrail.html, are set out below and are primarily focused on the Company's existing business functions. As specific Gateway initiatives are identified in future Service Plans, outcome based goals and targets related to Gateway initiatives will be included.

The 2008 performance goals for BCRC were set out in its 2008 to 2010 Service Plan as follows:

Goal 1:

Provide safe, reliable, efficient and open access freight train operations on the Port Subdivision.

Strategies:

- Conduct dispatching, train control and yard management in a manner that provides fair and equal access to Roberts Bank port terminals.
- Maintain railway track and infrastructure in compliance with standards acceptable to the BC Safety Authority and Transport Canada.
- Participate in joint planning and development initiatives related to the Pacific Gateway Strategy and BC Ports Strategy.
- Maintain cooperative relationships with port terminal operators and the neighbouring municipalities of Delta and Surrey.

Performance Measures	Target	Actual	Targets		
	2008	2008	2009	2010	2011
Number of derailments caused by track conditions or BCRC activities	0	0	0	0	0

Goal 2:
Effective and efficient management of the Revitalization Agreement between BCRC and CN Rail.

Strategies:

- Manage a positive landlord-tenant relationship between BCRC and CN Rail.
- Monitor CN Rail compliance with terms of the Revitalization Agreement.
- Proactively manage disputes, if any, as they may arise.
- Protect the strategic interests of BCRC and the Province whenever terms of the Revitalization Agreement require enforcement or interpretation

Performance Measures	Target	Actual	Targets		
	2008	2008	2009	2010	2011
Report on status of the CN Rail Revitalization Agreement.	Report quarterly to the Board and Minister.	Reported quarterly to the Board and Minister.	Report quarterly to the Board and Minister.	Report quarterly to the Board and Minister.	Report quarterly to the Board and Minister.
Monitor CN Rail's environmental stewardship of freight railway lands under lease.	Inspect and report on one-third of railway network.	Inspected and reported on one-third of railway network.	Inspect and report on one-third of railway network.	Inspect and report on one-third of railway network.	Inspect and report on one-third of railway network.
Brief Minister on public issues involving CN Rail operations under Revitalization Agreement.	Respond within 48 hours of event or request.	Responded within 48 hours of event or request.	Respond within 48 hours of event or request.	Respond within 48 hours of event or request.	Respond within 48 hours of event or request.

Goal 3:
Effective and efficient management of the Operating Lease Agreement between BCRC and Kinder Morgan Canada Terminals.

Strategies:
- Manage a positive landlord-tenant relationship between BCRC and Kinder Morgan.
- Monitor Kinder Morgan's compliance with terms of the Operating Lease Agreement.
- Proactively manage disputes, if any, as they may arise.
- Protect the strategic interests of BCRC and the Province whenever terms of the Operating Lease Agreement require enforcement or interpretation.

Performance Measures	Target	Actual	Targets		
	2008	2008	2009	2010	2011
Report on status of the Kinder Morgan Operating Lease Agreement.	Report quarterly to the Board and Minister.	Reported quarterly to the Board and Minister.	Report quarterly to the Board and Minister.	Report quarterly to the Board and Minister.	Report quarterly to the Board and Minister.
Monitor Kinder Morgan's environmental stewardship of BCRC lands	Inspect and review as required	Inspected and reviewed as required	Inspect and review as required	Inspect and review as required	Inspect and review as required
Brief Minister on public issues involving Kinder Morgan operations under Operating Lease Agreement.	Respond within 48 hours of event or request.	Responded within 48 hours of event or request.	Respond within 48 hours of event or request.	Respond within 48 hours of event or request.	Respond within 48 hours of event or request.

Goal 4:
Dispose of all real estate holdings and other assets not required for freight railway corridors or port terminal operations.

Strategies:
- Maximize financial results by achieving full market value for dispositions.
- Obtain independent professional appraisals as a basis for property disposition values.
- Complete subdivision of larger land holdings where total net proceeds of disposition can be increased.
- Obtain market rates on leases, encroachments, easements, etc. on retained lands.

Performance Measures	Target	Actual	Targets		
	2008	2008	2009	2010	2011
Number of property title transfers completed.	75	43	37	34	0
Gain on disposal of assets ($ millions)	$74.3	$27.3	$37.8	$30.9	$0

The Company succeeded in meeting its 2008 targets with the exception of Goal 4 relating to the disposition of surplus real estate holdings.

A total of 43 parcels of land were sold during the year for gain of $27.3 million. The land disposition process, which requires various approvals from government departments and municipalities for environmental remediation, re-zoning and subdivisions, has taken longer than anticipated. Management continued to work with various levels of government to accelerate the process and anticipates that the Company's remaining surplus properties will be sold by the end of 2010.

There were 3 goals in 2007. They were equivalent to Goals 1, 2 and 4 above. In 2007, Goal 1 and 2 were achieved. The company did not meet the 2007 target set related to the disposition of surplus real estate. Goal 3 above was not applicable in 2007 as the Company operated Vancouver Wharves for part of the year.

BCRC's role in the BC Ports Strategy and Pacific Gateway Strategy continues. In 2008 BCRC was engaged in Gateway development activities related to the Roberts Bank Rail Corridor Grade Separation Program, the South Fraser Perimeter Road Project and the North Shore Trade Corridor Study. BCRC is confident that it can perform a valuable role and contribute to government's objectives in planning and implementing important transportation infrastructure projects to increase economic activity and employment, to improve service for British Columbians and to support increased Asia-Pacific trade.

Changes to the 2008 Goals

The only significant change made to the goals in the 2009 – 2011 Service Plan was the revised timing of the forecast for proceeds from the disposition of surplus real estate holdings, now anticipated to be completed in 2010.

Benchmarking and Performance Management Systems

Results achieved against the above performance measures are principally derived from BCRC's internal management and reporting systems.

Results can be regarded as accurate and reliable because the performance measures have been intentionally selected for areas where management has confidence in the ability to accurately monitor and measure without the need for estimates or pro-rating of data.

Many of the performance results may also be verified externally by the promised deliverables (i.e. quarterly reporting to the Minister). Results may also be independently verified by external regulatory agencies (i.e. any train derailments are investigated by the British Columbia Safety Authority and/or Transport Canada).

Because of the unique nature of BCRC's operating leases with CN Rail and Kinder Morgan, its management role (not operating its own trains) on the BCR Port Subdivision, and the disposition process of its portfolio of surplus real estate holidings, no relevant or comparable benchmarks have been identified.

BCR Port Subdivision Ltd.

BCR Port Subdivision continues to operate successfully, effectively serving its three user railways. Overall, in 2008, the BCR Port Subdivision handled 417,487 cars of coal (up 4.3% from 2007) and 97,333 cars of containers (down 6.1% from 2007) for a total of 514,820 cars (up 2.1% from 2007). The increase in coal traffic in 2008 was primarily due to BNSF Railway coal shipments through Westshore Coal Terminal, as a result of strength in the US coal export market.

BCR Port Subdivision operates on a cost recovery basis, recovering its costs from its three user railways based on their respective share of traffic over the line each month. Port Subdivision revenues and operating expenses remained constant at $8.5 million and $4.4 million respectively. Operating expenses include the costs for the operation and maintenance of the railway.

BCR Properties Ltd.

This subsidiary continued with its mandate to dispose of surplus real estate holdings not required for freight railway corridors or port terminal operations.

A total of 43 parcels of land were sold during 2008 for net proceeds of $36.3 million resulting in a total gain of $27.3 million.

Revenue from operations for BCR Properties excludes the gain on real estate sales discussed above. Operating revenues from the rental of properties still owned by the subsidiary were $8.9 million in 2008, an increase of $1.0 million from 2007. The increase is due to revenue related to the Kinder Morgan (Vancouver Wharves) transaction and increased lease rates and miscellaneous revenue. Prior to the Kinder Morgan transaction in May 2007, lease revenue generated from Vancouver Wharves was treated as intercompany revenue. Operating expenses of $6.4 million were $0.2 million lower in 2008 than 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

During 2008, BCRC continued to own the former BC Rail right-of-way and railway track infrastructure and manage the long-term lease arrangement with CN Rail to operate the railway. BCRC has also retained ownership of its BCR Port Subdivision operation and, through its subsidiary BCR Properties, has retained ownership of certain port-related lands.

All other residual assets and entities not required for railway or port operations are to be disposed of in a manner that maximizes a commercial return to the government.

During 2008, the Company met its goals of effectively managing the Revitalization Agreement with CN Rail, effectively managing the Operating Lease Agreement with Kinder Morgan and providing safe, reliable and efficient freight operations on the BCR Port Subdivision. In addition, the Company focused its efforts on the ongoing sale of surplus real estate holdings and operating assets.

2008 Results

The Company earned net income of $37.7 million during 2008. This compares to net income of $19.6 million in 2007 and a budget for 2008 of $75.5 million. The decrease compared to budget is substantially attributable to real estate sales, which were lower than budget offset by slightly higher than budgeted operating income.

BCRC is disposing of all real estate holdings and other assets not required for freight railway corridors or port terminal operations in a manner that captures full market value and maximizes the financial return from these assets. A total of 43 parcels of land were sold during the year for gain of $27.3 million. The land disposition process, which requires various approvals from government departments and municipalities for environmental remediation, re-zoning and subdivisions, has taken longer than anticipated. Management continued to work with various levels of government to accelerate the process and anticipates that the Company's remaining surplus properties will be sold by the end of 2010.

Higher than budgeted operating income is largely due to higher than budgeted operating income in BCR Properties due to delays in property sales resulting in the continuation of rental income, lower than budgeted amortization costs recognizing a change in the estimated useful lives of grade and ballast and the sale of scrap metal.

($ thousands)	2008 Actual	2007 Actual	Year Variance	2008 Budget	Budget Variance
Revenue	23,759	18,185	5,574	14,808	8,951
Operating expenses	19,058	31,327	12,269	18,070	(988)
Amortization	4,300	4,113	(187)	6,642	2,342
Total expenses	23,358	35,440	12,082	24,712	1,354
Operating Income (loss)	401	**(17,255)**	**17,656**	**(9,904)**	**10,305**
Interest income	10,028	12,597	(2,569)	11,060	(1,032)
Gain on disposal of assets	27,259	19,801	7,458	74,317	(47,058)
Income from continuing operations	**37,688**	**15,143**	**22,545**	**75,473**	**(37,785)**
Income from discontinued operations	-	4,416	(4,416)	-	-
Net income	**37,688**	**19,559**	**18,129**	**75,473**	**(37,785)**

In comparing the current year's results to the 2007 results, revenues were $5.6 million higher than 2007 due to higher revenues earned in BCR Properties and miscellaneous other revenue largely due to the sale of scrap metal. Operating expenses decreased by $12.1 million mainly attributable to lower environmental accruals recorded in 2008. Amortization expense this year is similar to 2007. However, the 2007 expense was reduced by a $2.8 million adjustment because of a reduction in the asset retirement obligation in excess of the related unamortized asset. Financing income was $2.6 million lower than last year due to lower interest rates in 2008 and lower interest earning cash balances in 2008. The gain on disposal of assets was $7.5 million higher than last year due to significant delays in sales in 2007. The income from discontinued operations in 2007 represents the operating results for Vancouver Wharves to May 30, 2007, the effective date of the transaction with Kinder Morgan.

As compared to the budget, the negative variance in net income of $37.8 million relates to two main items: the gain on disposal of assets, which was $47.1 million below budget, and revenues, which were $9.0 million above budget. The negative variance in the gain on sales was due to timing of real estate sales. The higher than budgeted revenue is mainly due to increases in rental revenue from delays in property sales plus revenue earned on the sale of scrap metal and revenue arising from the long term receivable related to environmental services from Kinder Morgan.

Revenues

The revenues, by operating subsidiary, are as follows:

($ thousands)	2008 Actual	2007 Actual	Year Variance	2008 Budget	Budget Variance
BCR Properties	8,864	7,860	1,004	4,862	4,002
BCR Port Subdivision	8,476	8,547	(71)	9,661	(1,185)
Other	6,419	1,778	4,641	285	6,134
Total	**23,759**	**18,185**	**5,574**	**14,808**	**8,951**

Revenues were $5.6 million and $8.9 million higher than 2007 and 2008 budget respectively, due to significantly higher revenues in BCR Properties and Other.

The increase in BCR Properties revenues over last year relates to rent revenue earned from the new lease transaction with Kinder Morgan (previously treated as intercompany revenue) and miscellaneous revenue. The additional increase in rental revenue over budget is due to delays in property sales. The gain on property sales is not included in the above revenue results and will be discussed in further detail later in this report. The increase in Other revenue over 2007 is due to the sale of scrap metal and revenue arising from the Kinder Morgan transaction related to the asset retirement obligation and general environmental accrual.

Expenses

Operating expenses, by operating subsidiary, are as follows:

($ thousands)	2008 Actual	2007 Actual	Year Variance	2008 Budget	Budget Variance
BCR Properties	6,415	6,644	229	4,914	(1,501)
BCR Port Subdivision	4,450	4,385	(65)	5,477	1,027
BCRC Corporate	12,493	24,411	11,918	14,321	1,828
Total	**23,358**	**35,440**	**12,082**	**24,712**	**1,354**

Operating expenses for 2008 were $12.1 million lower than 2007 and $1.4 million lower than budget.

For fiscal 2008, BCRC corporate operating expenses were $11.9 million lower than 2007 due to significant environmental provisions taken in 2007. Compared to budget, BCR Properties operating expenses were $1.5 million higher than budget because of higher than anticipated environmental costs.

The risk of environmental liability is inherent in the Company's operations with respect to both current and past operations. As a result, the Company incurs costs, on an ongoing basis, associated with environmental regulatory compliance and remediation requirements. Based on information known today, management believes that environmental costs likely to be incurred over the next several years have been identified. However, ongoing efforts to identify potential environmental concerns may lead to additional environmental costs in the future, the magnitude of which cannot be reasonably estimated at this time.

BCR Port Subdivision operating expenses were lower than budget by $1.0 million, primarily due to reduced maintenance costs. As the Port Subdivision operates on a cost recovery basis, operating revenues were proportionately lower as well.

BCRC corporate costs were lower than budget due mainly to lower amortization expense driven by a change in the estimated useful life of grade and ballast.

Other Income

Other income includes financing income and the gain on disposal of assets. The gain on disposal of assets relates to the sale of surplus real estate assets. A total of 43 parcels of land were sold during 2008 for net proceeds of $36.3 million resulting in a total gain of $27.3 million.

Interest income of $10.0 million was earned during the year as compared to $12.6 million in 2007 and a budget of $11.1 million. The negative variance over 2007 is due to both lower interest rates and decreased interest earning cash balances. Although cash balances have increased over the year largely due to sales of surplus property net of capital expenditures, lower interest earning cash balances is due to cash plus interest being set aside for an environmental accrual. The 2008 budget for interest income did not contemplate the environmental accrual noted.

Discontinued Operations

The discontinued operation in 2007 relates to the Vancouver Wharves operation that was transferred to a new operator effective May 30, 2007. Therefore, 2007 included only five months of operating results for Vancouver Wharves, shown as a discontinued operation in the results.

Disposal of Assets

The Company continues to prepare non port-related surplus real estate assets for sale. Once ready, these assets are classified as held for sale on the balance sheet. At the end of the year, BCRC had assets with a book value of $15.7 million classified as available for sale. The remaining assets, although being prepared for sale, do not meet the requirements under Canadian Generally Accepted Accounting Principles (GAAP) for separate presentation. Therefore, they continue to be included with Property and Equipment.

Liquidity and Capital Resources

Because of its ownership by the Province of British Columbia, BCRC is not able to obtain financing through the issuance of new equity. All capital resources, both sustaining and growth or investment capital, must be generated out of retained earnings or, where there is a shortfall, through debt.

The Company's year-end cash position increased by $38.7 million in 2008 primarily due to proceeds received on the sale of property and equipment. Capital expenditures of $9.9 million relating to subdivision costs being construction, engineering, and other costs, and costs incurred acquiring strategic port lands were mostly offset by proceeds received on a mortgage of $7.7 million.

BCRC currently has no debt outstanding and with the current plan to dispose of the remaining non port-related real estate properties, management anticipates that, along with residual proceeds from the CN Rail and Kinder Morgan transactions, the organization will have sufficient cash to fund disposition, capital and operating activities into the future.

Operating Environment, Trends and Risks

While BCRC's role of operating a commercial railway and marine terminals is limited to that of landlord, its role in the BC Ports Strategy and Pacific Gateway Strategy continues to evolve and expand. Although there are no significant shifts in its internal operating environment since the last Annual Report, the greatest risk facing BCRC is driven by the current global economic challenges. The timing and proceeds of disposition of the property sales, as well as the number of commercially viable infrastructure opportunities, could be negatively impacted by the state of the global economy. BCRC will closely monitor the conditions to ensure appropriate timing of any dispositions or investments.

Since completing the railway lease agreement with CN Rail and the marine terminal lease agreement with Kinder Morgan, BCRC has been reduced to a staff of about 30. Capacity is currently adequate to fulfill its mandate. However, as Gateway and port-related opportunities evolve into development projects, additional resources may be required. BCRC will carry out its mandate in a commercially and an environmentally responsible manner.

Historical Financial and Operating Results

Based on the significant changes to the organization since 2004. management believes that historical results from earlier than 2005 would not be meaningful. The historical results have been restated to conform to the current year's financial statement presentation.

($ thousands)	2005 Actual (restated)	2006 Actual (restated)	2007 Actual	2008 Actual
Revenue	24,387	17,554	18,185	23,759
Operating expenses	25,330	26,333	31,327	19,058
Amortization	10,025	7,356	4,113	4,300
Total expenses	35,355	33,689	35,440	23,358
Operating loss	**(10,968)**	**(16,135)**	**(17,255)**	**401**
Interest income	3,713	8,655	12,597	10,028
Gain on disposal of assets	9,885	63,667	19,801	27,259
Reduction in gain on CN Rail transaction	(5,602)	-	-	-
Income (loss) from continuing operations	**(2,972)**	**56,187**	**15,143**	**37,688**
Income (loss) from discontinued operations	(9,749)	12,676	4,416	-
Net income (loss)	**(12,721)**	**68,863**	**19,559**	**37,688**

Financial Forecast

The future goals and objectives for BCRC remain unchanged from 2008. The goals are included in the 2009 to 2011 Annual Service Plan as follows:

1. Provide safe, reliable, efficient and open access freight train operations on the BCR Port Subdivision.
2. Ensure effective and efficient management of the Revitalization Agreement between BCRC and CN Rail.
3. Ensure effective and efficient management of the Operating Lease Agreement between BCRC and Kinder Morgan.
4. Dispose of all surplus real estate holdings and other surplus assets not required for freight railway corridors or port terminal operations.

The following financial forecast was included in the 2009 to 2011 Annual Service Plan. It was based on certain assumptions at the time of its preparation as follows:

- BCR Properties will continue in its mandate to dispose of all non-railway and non-port holdings and anticipates completion of the disposition process by the end of 2010. Proceeds on disposal have been estimated based on management's best estimates of the fair value of the properties.
- BCR Captive was a regulated insurance company that provided insurance to BCRC and it's subsidiary companies for all claims that occurred before January 31, 2008. Insurance coverage since February 1, 2008 has been provided by 3rd party insurance. BCR Captive was subsequently wound-up on November 30, 2008. This will continue to be the insurance strategy going forward. All outstanding claims and obligations of BCR Captive were assumed by BCRC at windup.
- BCRC will continue to own BCR Port Subdivision into the future and will fund all capital requirements for additional rail capacity and related infrastructure to support

forecast port terminal expansions at Roberts Bank. BCR Port Subdivision will be able to recover all of its operating expenses as well as privilege charges (a form of asset "rent") on the entire joint capital account from the three user railways.

- BCRC will continue to maintain an administration office and will continue in its current mandate to support the provincial government's BC Ports Strategy and Pacific Gateway Strategy.
- The asset retirement obligation and environmental liability related to the remediation of the Vancouver Wharves site remains with BCRC. Although Kinder Morgan is contractually required to perform the remediation, the obligation will remain with BCRC until such time as BCRC management is satisfied that the remediation work has been done. Conservatively, it has been assumed that no remediation work will be done during this forecast period.
- The forecast for capital expenditures is noted below.
- No dividend payments are made to the Province.

Based on the above key assumptions, the financial forecast through 2011 is as follows:

($ thousands)	2008 Actual	2009 Forecast	2010 Forecast	2011 Forecast
Revenue	23,759	14,293	14,165	13,156
Operating expenses	19,058	15,162	13,403	11,060
Amortization	4,300	6,741	6,256	6,077
Total expenses	23,358	21,903	19,659	17,137
Operating loss	**401**	**(7,610)**	**(5,494)**	**(3,981)**
Interest income	10,028	7,180	6,499	4,199
Gain on disposal of assets	27,259	37,772	30,865	-
Net income (loss)	**37,688**	**37,342**	**31,870**	**218**
Capital expenditures	**9,929**	**80,204**	**94,942**	**100,100**
Retained earnings (deficit)	**(286,932)**	**(249,590)**	**(217,720)**	**(217,502)**
Debt	-	-	-	-
FTE's	**30**	**32**	**25**	**25**

Capital Forecast

The forecast for capital expenditures as detailed below includes costs to complete the BCR Properties real estate subdivision projects and costs related to the BCR Port Subdivision, including sustaining capital, costs in support of the Deltaport third berth expansion project and causeway redevelopment project, and the future acquisition of "green" locomotives. In addition, the capital forecast includes provisions for the acquisition of strategic port lands in support of the BC Ports Strategy and Pacific Gateway Strategy. Funding obligations to the Roberts Bank Rail Corridor grade separation initiative have also been included in the capital plan.

($ millions)	2009	2010	2011
BCR Properties subdivision projects	12.9	11.7	-
Tenure review (right-of-way) land	2.5	-	-
BCR Port Subdivision sustaining	0.2	0.2	0.2
Deltaport berth 3 expansion	8.0	2.0	-
BCR Port Subdivision "green" locomotives	3.5	-	-
Coal Track Extensions	2.0	-	-
Low level Road	-	5.0	-
Landbanking	46.5	28.0	16.5
BCR Port sub causeway redevelopment	-	40.0	80.0
Sub-total	75.6	86.9	96.7
Contributions to Roberts Bank Rail Corridor grade separations	4.6	8.0	3.4
Total Capital Expenditures	80.2	94.9	100.1

Forecast Risk and Sensitivities

The expected proceeds from the sales of non-port and non-railway related real estate is management's best estimate based on current knowledge and market conditions. The timing and proceeds of disposition of the property sales could vary from the assumptions used in the forecast. The downturn in the economy could have an adverse affect on property values or result in the disposition process extending beyond 2010. For each percent reduction in real estate property values remaining in the BCR Properties portfolio, the gain on disposal of assets over the planning period would potentially be reduced by $1.3 million.

Costs accrued for environmental remediation are based on investigations performed to-date of site contamination and assume remediation to standards currently in effect. Costs could increase as the extent of contamination is verified or as future remediation standards and costs may be higher.

Finance income is derived from interest earning cash balances. The Company is exposed to interest rate risk, which is the risk that the fair value or future cash flows of a financial instrument will vary as a result of changes in market interest rates. A 100 bps change to interest rates on the money market instruments would have an impact of $2.8 million on the Company's income statement.

OPERATING SEGMENT INFORMATION

The following operating segment information has been prepared for each of the operating subsidiaries of the Company excluding intercompany transactions.

BCR Properties Ltd.

($ thousands)	2008 Actual	2007 Actual	Year Variance	2008 Budget	Budget Variance
Revenues	8,864	7,860	1,004	4,862	4,002
Expenses	6,415	6,644	229	4,914	(1,501)
Operating income (loss)	**2,449**	**1,216**	**1,233**	**(52)**	**2,501**

BCR Port Subdivision Ltd.

($ thousands)	2008 Actual	2007 Actual	Year Variance	2008 Budget	Budget Variance
Revenues	8,476	8,547	(71)	9,661	(1,185)
Expenses	4,450	4,385	(65)	5,477	1,027
Operating income	**4,026**	**4,162**	**(136)**	**4,184**	**(158)**

BCRC's business activities are mostly in competition with the private sector. As a result, BCRC does not disclose the major sources of revenue and expenses as this is regarded as confidential information.

FUTURE ACCOUNTING CHANGES

International Financial Reporting Standards

The CICA will transition Canadian GAAP for publicly accountable entities to International Financial Reporting Standards (IFRS). The Company's consolidated financial statements will be prepared in accordance with IFRS for the fiscal year commencing January 1, 2011.

The Company has embarked on a project to identify and evaluate the impact of the implementation of IFRS on the consolidated financial statements and to develop a plan to complete the transition. The impact of the transition to IFRS on the Company's consolidated financial statements is not yet determinable.

REPORT OF MANAGEMENT

The accompanying consolidated financial statements of British Columbia Railway Company and all other information contained in the Annual Report are the responsibility of management. The consolidated financial statements were prepared in conformity with GAAP appropriate in the circumstances in a manner consistent with the previous year and, accordingly, include some amounts based on management's best judgments and estimates. The financial information contained elsewhere in this Annual Report is consistent with that in the consolidated financial statements.

Management is responsible for maintaining a system of internal accounting controls and procedures to provide reasonable assurance, at an appropriate cost/benefit relationship, that assets are safeguarded and transactions are authorized, recorded and reported properly. The internal accounting control system is augmented by appropriate reviews by management, written policies and guidelines and a written Code of Business Conduct adopted by the Board of Directors, applicable to all employees of the Company. Management believes that the Company's internal accounting controls provide reasonable assurance that assets are safeguarded against material loss from unauthorized use or disposition and that the financial records are reliable for preparing financial statements and other data and maintaining accountability for assets.

The Audit, Finance and Risk Management Committee meets with the independent auditors and management quarterly to discuss internal accounting controls, auditing and financial reporting matters. The committee reviews with the independent auditors the scope and results of the audit effort. The committee also meets with the independent auditors without management present to ensure that the independent auditors have free access to the committee. The committee reviews the consolidated annual financial statements and recommends their approval by the Board of Directors.

The independent auditors, KPMG LLP Chartered Accountants, are appointed by the Board of Directors to examine the financial statements of British Columbia Railway Company and conduct such tests and related procedures as they deem necessary in conformity with generally accepted auditing standards. The opinion of the independent auditors, based upon their examination of the financial statements, is contained in this Annual Report.

Kevin Mahoney, President and Chief Executive Officer

Kevin Steinberg, C.A., Vice-President Finance and Chief Financial Officer

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AUDITORS' REPORT

To the Lieutenant Governor in Council
Province of British Columbia

We have audited the consolidated balance sheet of British Columbia Railway Company as at December 31, 2008 and the consolidated statement of income and comprehensive income and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Vancouver, Canada
February 11, 2009

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2008 and 2007

CONSOLIDATED BALANCE SHEET (in thousands of dollars)

December 31	2008	2007
ASSETS		
Current		
Cash and cash equivalents	**$ 306,155**	$ 267,464
Accounts receivable	**6,487**	5,739
Materials and other items	**440**	259
	313,082	273,462
Assets available for sale	**15,747**	16,718
Property and equipment - Note 5	**280,449**	282,733
Other assets - Note 6	**76,841**	82,420
	$ 686,119	$ 655,333
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current		
Accounts payable and accrued liabilities	**$ 3,960**	$ 10,932
Current portion of other liabilities - Note 7	**2,054**	2,375
	6,014	13,307
Deferred lease revenue - Note 7	**308,160**	309,561
Other liabilities - Note 8	**123,642**	121,850
	437,816	444,718
Shareholder's equity		
Share capital - Note 10	**$ 257,688**	$ 257,688
Contributed surplus	**277,547**	277,547
Deficit	**(286,932)**	(324,620)
	248,303	210,615
	$ 686,119	$ 655,333

Commitments - Note 11
Contingent liabilities - Note 12

See accompanying notes to the consolidated financial statements.

On behalf of the Board

Director

Director

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2008 and 2007

CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME AND DEFICIT
(in thousands of dollars)

For the years ended December 31	2008	2007
Revenues	$ 23,759	$ 18,185
Expenses		
Labour costs	3,604	3,951
Operations and maintenance	6,324	7,280
General and administration	3,524	5,860
Amortization of property and equipment	4,300	4,113
Environmental costs	3,101	10,368
Operating and other taxes	984	2,006
Accretion expense	1,521	1,862
	23,358	35,440
Operating income (loss)	401	(17,255)
Other income		
Gain on property sales	27,259	19,801
Interest income - Note 13	10,028	12,597
Income from continuing operations	37,688	15,143
Income from discontinued operations - Note 2	-	4,416
Net income and comprehensive income	37,688	19,559
Deficit, beginning of year, restated	(324,620)	(344,179)
Deficit, end of year	$ (286,932)	$ (324,620)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2008 and 2007

CONSOLIDATED STATEMENT OF CASH FLOWS (in thousands of dollars)

For the years ended December 31	2008	2007
Operating activities		
Income from continuing operations	$ $37,688	$ 15,143
Adjustment for items not involving cash		
Gain on property sales	(27,259)	(19,801)
Amortization of property and equipment	4,300	4,113
Amortization of deferred lease revenue	(999)	(1,035)
Acretion income on long term notes receivable	(399)	-
Pension and post employment benefit income and contributions - Note 9	289	661
Accretion of asset retirement obligation	1,521	1,862
Change in environmental liability accrual	(95)	3,911
Increase in long term receivable	(2,200)	-
Net change in non-cash working capital - Note 14(a)	(8,222)	4,212
Cash provided by operating activities	4,624	9,066
Investing activities		
Purchase of property and equipment	(9,929)	(20,357)
Net proceeds on sale of property and equipment	36,293	14,497
Net proceeds from Kinder Morgan transaction - Note 2	-	34,239
Net proceeds received on mortgage receivable	7,676	-
Changes in other assets	27	(1,810)
Cash provided by investing activities	34,067	26,569
Increase in cash and cash equivalents from continuing operations	38,691	35,635
Cash provided by discontinued operations	-	6,343
Cash and cash equivalents, beginning of year	267,464	225,486
Cash and cash equivalents, end of year	$ 306,155	$ 267,464

See accompanying notes to the consolidated financial statements.

Non-cash transactions:		
Increased VWLP pension allocated to deferred revenue	$ 402	$ -

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2008 (tabular amounts in thousands of dollars)

British Columbia Railway Company ("BCRC") is owned by the Province of British Columbia (the "Province") and is incorporated under the British Columbia Railway Act. BCRC is principally a holding company with its commercial and business activities conducted through several operating subsidiaries, spanning the business areas of real estate, railway and marine terminal management.

BCRC's continuing primary mandate is to support and facilitate the British Columbia Ports Strategy and Pacific Gateway Strategy, by providing consulting advice, acquiring and holding railway corridor and strategic port lands, and making related infrastructure investments for the Province.

The Company owns the former BC Rail right-of-way and railway track infrastructure and leases those assets to Canadian National Railway Company ("CN") for the purposes of operating a freight railway. Consistent with the government's Ports Strategy and Pacific Gateway Strategy, BCRC has retained ownership of the Port Subdivision operation, which provides open, neutral rail access to the port terminals at Roberts Bank and, through its subsidiary BCR Properties Ltd., has retained ownership of certain port-related lands.

The Province has determined that the remaining assets and entities owned by the Company that are not required to meet the Pacific Gateway Strategy are not required to be publicly owned, and that BCRC is to wind down or dispose of these in a timely manner which maximizes a commercial return to the Province.

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are expressed in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

Basis of consolidation

These consolidated financial statements include the accounts of BCRC and all of its subsidiaries. In these notes, "Company" refers to BCRC, and its subsidiaries. All significant intercompany transactions have been eliminated.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of net recoverable value of receivables, property and equipment, assets available for sale, useful lives for amortization and provisions for post employment benefits, contingencies and environmental matters. Actual amounts may ultimately differ from these estimates. The estimates are reviewed periodically and as adjustments become necessary, they are reported in earnings in the year in which they become known.

Cash and cash equivalents

Cash and cash equivalents include cash and those short-term money market instruments with initial terms to maturity of three months or less.

Materials and supplies

Material and supplies are valued at the lower of average cost and net realizable value.

Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Acquisitions and installations are recorded at cost while repairs are charged to operations. Betterments are capitalized. On major projects interest costs are capitalized as a cost of the project.

Property and equipment are amortized on a straight-line basis over the estimated useful lives of the assets. Management assesses the value of its property and equipment for impairment when events and changes in circumstances indicate the carrying amount may not be recoverable. When such indicators of impairment exist, management performs a fair value assessment and reduces the asset's carrying value to its estimated fair value.

The original cost of assets less estimated salvage value is amortized on a straight line basis over the following number of years (see note 5):

	Number of Years
Buildings	30 - 40
Equipment	3 - 20
Assets under operating lease - Ballast & culverts	75
- Tracklaying and surfacing	35

Equipment and leasehold improvements under capital lease are amortized over their lease term

Assets available for sale

The Company is preparing non port-related and non-rail real estate assets for sale and once ready, the assets are reclassified as held for sale and no longer depreciated. The assets are measured at the lower of cost and net realizable value, which is the estimated proceeds less costs to sell.

Joint Capital Account

The Company has invested in railway assets for its BCR Port Subdivision operation. An agreement between the Company and the three user railways requires the Company to maintain a separate account of the invested costs (the "Joint Capital Account") as the costs will be reimbursed by the user railways in proportion to their use of the track at the time that the assets are retired or when the operation ceases to exist. The portion of the Joint Capital Account relating to land has been accounted for as an operating lease and included in property and equipment and the balance accounted for as direct financing leases is included in other assets as the Joint Capital Account Receivables to be collected upon retirement or cessation of operations.

Discontinued operations

As described in Note 2, the Company completed a transaction in May 2007 to sell the operating assets and transfer the operations of their subsidiary, Vancouver Wharves, to a new operator. The operating results of Vancouver Wharves to the date of the transaction have been reported separately as discontinued operations on the statement of operations.

Deferred lease revenue

The Company has two long-term lease arrangements currently in effect:

a) An operating lease related to the Company's long-term lease of its railway right-of-way land and railbed assets including grade and ballast as a result of the CN transaction in 2004 which is being amortized over 990 years. (see Note 3)

b) A lease with Kinder Morgan Canada Terminals ULC ("KM") is for the land upon which the Vancouver Wharves terminal facility operates which is being amortized over 40 years (see Note 2).

Both operating leases were prepaid therefore the amounts have been included in deferred revenue and are being amortized to income over the related terms of each lease.

Revenue recognition

Revenues are recognized when services have been substantially completed. Rental income is recognized as earned. All revenues are recognized when the amounts are measurable and collectability is reasonably assured.

Post employment benefits

The Company accrues its obligations under employee benefit plans and the related costs as benefits are earned, net of returns on plan assets. The Company's policies are as follows:

i) The cost of retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs.

ii) The expected interest cost on any prior service obligation is calculated using management's estimate for the long-term rate of return.

iii) The expected return on plan assets is calculated at a market-related value for the assets.

iv) Past service costs from plan amendments are amortized on a straight-line basis over the expected average remaining service period of active employees. Experience gains and losses and any changes in assumptions in excess of 10% of the greater of the accrued benefit obligation and the market value of plan assets are amortized over the expected average remaining service period of active employees. The amortization of past service costs, experience gains and losses and any changes in assumptions are included in the pension expense for the year.

v) Unamortized costs on benefit plans are amortized over the remaining life expectancy of plan members when all the members are inactive.

Income taxes

The Company is exempt from Canadian federal and British Columbia provincial income and capital taxes.

Environmental expenditures and liabilities

Environmental expenditures that relate to current operations or an existing condition caused by past operations and which are not expected to contribute to current or future operations are expensed as part of operating activities. Environmental liabilities related to environmental assessment and/or remedial efforts are accrued when the expenditures are considered likely and the costs can be reasonably estimated.

Asset retirement obligation

The Company recognizes the fair value of a future asset retirement obligation as a liability in the period in which it incurs a legal or constructive obligation associated with the retirement of tangible long-lived assets that results from the acquisition, construction, development, and/or normal use of the assets. The Company concurrently recognizes a corresponding increase in the carrying amount of the related long-lived asset that is depreciated over the life of the asset. The fair value of the asset retirement obligation is

estimated using the expected cash flow approach that reflects a range of possible outcomes discounted at a credit-adjusted risk-free interest rate. Subsequent to the initial measurement, the asset retirement obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. Changes in the obligation due to the passage of time are recognized in income as accretion expense using the interest method. Changes in the obligation due to the changes in estimated cash flows are recognized as an adjustment of the carrying amount of the related long-lived asset that is depreciated over the remaining life of the asset.

Financial Instruments

Commencing January 1, 2008 the Company adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862 Financial Instruments – Disclosures, Section 3863 Financial Instruments – Presentation, and Section 1535 - Capital Disclosures.

a) Disclosures

CICA Handbook Section 3862, Financial Instruments – Disclosures, requires entities to provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments for the entity's financial position and performance, the nature and extent of risks arising from financial instruments to which the entity is exposed during the year and at the balance sheet date, and how the entity manages those risks.

CICA Handbook Section 3863, Financial Instruments - Presentation, carries forward the former presentation requirements included in CICA Handbook Section 3861.

CICA Handbook Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed, including disclosure of any externally imposed capital requirements, whether the entity has compiled with them, and if not, the consequences.

b) Recognition and Measurement

All financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments, including derivatives, are included on the consolidated balance sheet and are measured at fair market value, with the exception of loans and receivables, investments held-to-maturity and other financial liabilities, which are measured at amortized cost. Subsequent measurement and recognition of changes in fair value of financial instruments depends on their initial classification. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in net income in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the assets are removed from the balance sheet.

Derivative instruments are recorded as either assets or liabilities measured at their fair value except when considered a normal purchase and sale arrangement. Certain derivatives embedded in other contracts must also be measured at fair value. All changes in the fair value of derivatives are recognized in earnings unless specific hedge accounting criteria are met, which requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting.

c) Comprehensive Income

Comprehensive income is defined as the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources. Gains and losses that would otherwise be recorded as part of net earnings to be presented in other "comprehensive income" until it is considered appropriate to recognize such into net earnings.

The Company has classified cash and cash equivalents as held-for-trading. Amounts receivable are classified as loans and receivables. Accounts payable and accrued liabilities and other liabilities are classified as other payables. The Company has not identified any derivatives or embedded derivatives.

2. KINDER MORGAN TRANSACTION

On May 30, 2007, BCRC and its subsidiaries, Vancouver Wharves Limited Partnership "(VWLP") and BCR Properties Ltd. ("BCRP") completed a transaction with KM pursuant to an agreement signed on April 3, 2007. Under the terms of the agreement, KM assumed the operations of VWLP's port terminal facility by acquiring certain operating assets from VWLP and signing a 40-year non-renewable operating lease with BCRP for the land upon which VWLP operates. Cash proceeds of $40 million were received on the transaction.

As part of the agreement, KM assumed responsibility to complete certain projects designed to prevent further off-site migration of contamination from the land during the lease and to remediate the land at the end of the lease. At May 29, 2007, prior to the transaction, VWLP had accrued $44.6 million for remediation of the land and $14.0 million in respect of the off-site migration projects. As BCRC retains ultimate responsibility for the asset retirement obligations and the remediation of the land, the obligations will continue to be reflected in the Company's consolidated financial statements until such time as management is satisfied that KM has completed the remediation work.

Transaction costs of $5.8 million were applied against the proceeds of $40 million resulting in net proceeds on the transaction of $34.2 million. The operating assets were sold at fair value which approximated their net book value of $5.6 million and the remaining cash proceeds of $28.6 million were allocated to the operating lease and are being recognized as deferred revenue and being amortized to in income on a straight-line basis over the term of the lease. The fair value of the remediation services at the date of the agreement, were estimated as $27.1 million for the asset retirement obligation and $14.0 million for off-site migration projects. These amounts will be amortized to revenue over the lease term. An annual assessment will be made concerning Kinder Morgan's plans and progress towards completion of the remediation services. Any remediation performed in excess of revenue recognized will be reclassified to deferred revenue.

Environmental obligations relating to the land adjacent to the main VWLP site which is leased from Canada Lands Company Limited (Note 12 (a) and (b)) will be retained by the Company. KM will however be responsible for the future cost of moving certain operations from the adjacent land to the main site.

The Company's share of revenues and expenses have been reclassified to discontinued operations for the years ended December 31, 2007 as follows:

December 31, 2008 (tabular amounts in thousands of dollars)

KINDER MORGAN TRANSACTION (continued...)

	2007
Statement of income	
Revenues	$ 15,741
Expenses	(11,586)
Gain on disposal of assets	191
Net interest income	70
Net income from discontinued operations	$ 4,416

3. CN TRANSACTION

The CN transaction was the main component of the Company's original plan to dispose of its residual assets and activities.

(a) On July 14, 2004, BCRC and BCRP completed a transaction with CN pursuant to an agreement signed between the parties on November 25, 2003 (the "CN Transaction"). Under the terms of the agreement, CN assumed the Company's industrial freight railway business by purchasing the shares of BC Rail Ltd., the partnership interests of BC Rail Partnership and railcars from a related entity (collectively "BC Rail").

(b) BCRC and BC Rail entered into a Revitalization Agreement, under which BC Rail leased the railway right-of-way land, railbed assets, and related track infrastructure from BCRC under a long-term lease, which contains provision for prospective adjustments. BC Rail prepaid all lease payments under the Revitalization Agreement. The lease of the right of way land and railbed assets is being accounted for as an operating lease. The lease of the track infrastructure and equipment has been treated as a capital lease. As a result of the CN Transaction, the Revitalization Agreement was assumed by CN.

(c) As part of the CN Transaction, CN committed to certain average transit times for rail traffic on the BC Railway system. Breach of the transit time commitments results in penalty payments required to be made by CN dedicated to upgrades of the BC railway system to improve reliability and transit times for the railway users. As at December 31, 2008, the trust fund held $1.6 million (2007 - $1.1 million) in CN penalty payments, which are not recognized in these financial statements.

4. FINANCIAL INSTRUMENTS

Risk management

In the normal course of business, the Company is exposed to various risks such as credit risk, commodity price risk, interest rate risk, and liquidity risk. To manage these risks, the Company follows a financial risk management framework, which is monitored and approved by the Company's Audit Committee, with a goal of maintaining a strong balance sheet, optimizing earnings and free cash flow, financing its operations at an optimal cost of capital and preserving its liquidity. The Company has no involvement with derivative financial instruments in the management of its risks and does not use them for trading purposes. At December 31, 2008, the Company did not have any derivative financial instruments outstanding.

(a) Credit risk

In the normal course of business, the Company monitors the financial condition and credit limits of its customers and reviews the credit history of each new customer. Although, the Company believes there are no significant concentrations of credit risk, except as discussed

specifically below, the current economic conditions in the market have resulted in an increase in the Company's credit risk. To manage its credit risk, the Company's focus is on working with customers to ensure timely payments, and requiring increased financial security through guarantees or letters of credit.

$53 million (84%) of the Company's receivables are due from CN Rail, CP Rail, and Burlington Northern. The recovery of these amounts will be based on the relative usage by the railroads at the time the assets are retired.

(b) Interest rate

The Company is exposed to interest rate risk, which is the risk that the fair value or future cash flows of a financial instrument will vary as a result of changes in market interest rates. Such risk exists in relation to the funded status of the Company's pension and postretirement plans and to its money market instruments. A 100 bps change to interest rates on the money market instruments would have an impact of $2.8 million on the Company's income statement

The Company does not currently hold any derivative financial instruments to manage its interest rate risk.

(c) Liquidity risk

The Company monitors and manages its cash requirements to ensure access to sufficient funds to meet operational and investing requirements. The Company pursues a solid financial policy framework with the goal of maintaining a strong balance sheet, by monitoring its current ratio, and free cash flow forecasts.

The Company's principal source of liquidity is cash generated from the disposal of non-core assets. The Company's primary uses of funds are for working capital requirements, as they come due, pension and post retirement benefit contributions, contractual obligations, capital expenditures on to prepare properties for sale and other potential acquisitions. As such, the Company sets priorities on its uses of available funds based on short-term operational requirements, while keeping in mind its long-term contractual obligations and returning value to its shareholders.

Fair value of financial instruments

Generally accepted accounting principles define the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. The Company uses the following methods and assumptions to estimate the fair value of each class of financial instruments for which the carrying amounts are included in the Consolidated Balance Sheet under the following captions:

(a) Cash and cash equivalents, Accounts receivable, Accounts payable and accrued liabilities:

The carrying amounts approximate fair value because of the short maturity of these instruments.

(b) Other assets:

i) Joint Capital Account Receivables – these receivables generate interest at current market terms for instruments with similar terms and conditions, therefore the fair value approximates the carrying value.

ii) Long Term Note Receivable from CN – the notes are generating an implicit interest

December 31, 2008 (tabular amounts in thousands of dollars)

rate of 5.75% per annum, which is consistent with instruments with similar terms and conditions, therefore the fair value approximates the carrying value.

Capital Management

As a result of its ownership by the Province of British Columbia, BCRC is not able to obtain financing through the issuance of new equity. All capital resources, both sustaining and growth or investment capital, must be generated out of retained earnings, or, where there is a shortfall, through debt.

BCRC currently has no debt outstanding and is currently retaining all capital to fund operating costs and disposition costs, for non port related and non-rail real estate properties, capital requirements for additional rail capacity and related infrastructure for port terminal expansions at Roberts Bank. Capital forecasts also includes further provisions for the investment in port development infrastructure projects in support of the BC Ports Strategy and Pacific Gateway Strategy.

No dividend payments are currently being made to the Province.

5. PROPERTY AND EQUIPMENT

	2008			2007		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Assets under operating lease	$628,921	$406,614	$222,307	$628,604	$403,224	$225,380
Land	28,576	-	28,576	20,778	-	20,778
Buildings	9,544	2,935	6,609	10,700	2,842	7,858
Equipment and leasehold improvements	1,926	1,412	514	1,863	1,066	797
Construction in progress	22,443	-	22,443	27,920	-	27,920
	$691,410	$410,961	$280,449	$689,865	$407,132	$282,733

Assets under operating lease include railway right-of-way land and railbed assets.

Effective January 1, 2008, the Company changed its estimate of the useful lives of earthwork/grading and ballast. Based on a review of current technical data and comparable industry data, the estimated useful life for ballast was increased from 25 to 75 years and earthwork/grading, which were previously amortized over 90 years are now considered to have indefinite life. These changes have been applied prospectively. The change has had the effect of decreasing depreciation expense by $2.7 million in 2008.

6. OTHER ASSETS

	2008	2007
Accrued pension benefit asset - Note 9(a)	$ 11,575	$ 11,900
Mortgage receivable - (a)	-	7,676
Joint Capital Account receivables - (b)	46,214	46,214
Deferred property transfer tax - (c)	8,966	8,976
Long-term notes receivable from CN - (d)	6,610	6,211
Long-term receivable for environmental services, KM - (e)	3,462	1,262
Other	14	181
	$ 76,841	$ 82,420

December 31, 2008 (tabular amounts in thousands of dollars)

(a) The mortgage receivable was provided to a purchaser in 2004 as part of a sale of property from the Company's real estate portfolio. The mortgage was settled on October 15, 2008.

(b) The Joint Capital Account receivables relate to direct-financing leases which will be repaid to the Company by the users of the railway in proportion to their use of the track when the assets are either retired or the operation ceases.

(c) Deferred property transfer tax arose as part of the CN Transaction described in Note 3. The cost is being amortized over the lease term of 990 years.

(d) The long-term notes receivable from CN are non-interest bearing and due on July 12, 2094. The notes were discounted using an implied interest rate of 5.75% and are accreted each year to their ultimate face value of $842 million.

(e) Long term receivable for environmental services from KM – the receivable will be settled through KM's remediation performance at the end of the lease agreement. The return on the receivable is equally matched with the accretion of the associated asset retirement obligation.

7. DEFERRED REVENUE

	2008	2007
CN Operating Lease	**$ 281,055**	$ 281,340
KM Operating Lease	**27,105**	28,221
Deferred rental revenue	**2,054**	2,375
	$ 310,214	$ 311,936
Less current portion	**(2,054)**	(2,375)
	$ 308,160	$ 309,561

8. OTHER LIABILITIES

	2008	2007
Environmental liability accrual	**$ 92,918**	$ 93,013
Asset retirement obligation	**29,292**	27,771
Accrued pension benefit liability - Note 9(a)	**607**	205
Accrued non-pension benefit obligation - Note 9(a)	**825**	861
	$ 123,642	$ 121,850

(a) Asset retirement obligations

	2008	2007
Opening asset retirement obligations	**$ 27,771**	$ 43,565
Adjustment for change in lease term	**-**	(17,431)
Increase (decrease) in estimate for site-wide remediation	**-**	(225)
Accretion expense on obligation	**1,521**	1,862
Ending asset retirement obligations	**$ 29,292**	$ 27,771
Discount rate	**4.5% - 5.5%**	4.5% - 5.5%
Inflation	**2.5%**	2.5%

The asset retirement obligations have been assumed by KM as part of the transaction described in Note 2. As the Company retains ultimate responsibility for the asset retirement obligations however, they will continue to be reflected in the financial

December 31, 2008 (tabular amounts in thousands of dollars)

statements until such time as management is satisfied that KM has completed the remediation work. In 2007, in connection with the proposed KM transaction, the estimate of the obligations was reduced by $17.4 million to reflect the change in the expected timing of future cash flows to be incurred for remediation.

Although the ultimate amount to be incurred is uncertain, the liability for retirement and remediation, on an undiscounted basis, before applying an inflation factor of 2.5% and discounting is estimated to be approximately $88.1 million (2007 - $85.9 million).

9. EMPLOYEE BENEFITS

(a) The Company has defined benefit and defined contribution pension plans and other retirement and post employment benefit plans which cover most of its employees. The amounts presented in this note are actuarially determined projections based on management's assumptions provided to the actuary. The pension plans include a supplementary pension plan for current and retired executives and a pension plan associated with the previous Vancouver Wharves operation.

During 2007 as a result of the KM transaction described in Note 2, the Company began the process to wind up the pension plan related to the Vancouver Wharves operation. The effective date of the wind-up was May 30, 2007, however the wind-up was not formally approved by the Office of the Superintendent of Financial Institutions until February 12, 2009 therefore it continues to be recorded in the Company's financial statements. It is estimated that the Vancouver Wharves pension plan is in a net liability position of $607,000.

	Pension Plans		Other Plans	
	2008	2007	**2008**	2007
Reconciliation of accrued benefit obligation				
Opening balance	**$ (16,400)**	$ (17,988)	**$ (964)**	$ (975)
Current service cost	**-**	(53)	**-**	-
Employee contributions	**-**	(5)	**-**	-
Benefits paid	**521**	401	**81**	78
Interest cost	**(909)**	(932)	**(48)**	(44)
Settlement	**-**	-	**-**	210
Actuarial gains (losses)	**1,250**	2,177	**141**	(233)
Ending balance	**(15,538)**	(16,400)	**(790)**	(964)
Reconciliation of plan assets				
Opening balance	**23,164**	22,520	**-**	-
Actual return on plan assets	**(311)**	997	**-**	-
Employer contributions	**-**	43	**81**	78
Employee contributions	**-**	5	**-**	-
Benefits	**(521)**	(401)	**(81)**	(78)
Ending balance	**22,332**	23,164	**-**	-
Fund status - surplus (deficit)	**6,794**	6,764	**(790)**	(964)
Unamortized past service costs	**1,412**	1,614	**-**	-
Unamortized net actuarial loss (gain)	**2,762**	3,317	**(35)**	103
Net Accrued benefit asset (liability)	**$ 10,968**	$ 11,695	**$ (825)**	$ (861)
BCRC Accrued benefit asset	**11,575**	11,900	**-**	-
Vancouver Wharves accrued benefit liability	**(607)**	(205)	**(825)**	(861)
Net Accrued benefit asset (liability)	**$ 10,968**	$ 11,695	**$ (825)**	$ (861)

December 31, 2008 (tabular amounts in thousands of dollars)

EMPLOYEE BENEFITS (continued...)

(b) Significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows as of December 31:

	Pension Plans				Other Plans	
	2008		2007		2008	2007
	BCRC SERP	VW Pension	BCRC SERP	VW Pension		
Discount rate for liabilities	**6.70%**	**4.00%**	5.25%	5.25%	**6.50%**	5.25%
Expected long-term rate of return on plan assets	**3.50%**	**7.000%**	3.50%	7.00%	-	-
Salary escalation rate	**N/A**	**N/A**	N/A	N/A	-	-

The weighted average rate of increase in the per capita cost of future covered health care benefits was assumed to be 5.00% per year starting in 2014.

The plan asset portfolio currently comprises equity investments and debt. Equity investments are 30%-60% of the portfolio and include Canadian, International, and Real Estate investments. Debt is 20%-40% of the portfolio and comprises short-term debt, bonds and mortgages. Asset mix is reviewed periodically and may vary in the future.

(c) The Company's net benefit plan expense is as follows:

	Pension Plans		Other Plans	
	2008	2007	2008	2007
Current service cost	**$ -**	$ 53	**$ -**	$ -
Interest cost	**909**	932	**48**	48
Actual return on plan assets	**311**	(828)	**-**	-
Plan amendments	**202**	202	**-**	-
Plan curtailment / settlement loss (gain)	**-**	(174)	**-**	-
Amortize actuarial loss (gain)	**(695)**	(762)	**(84)**	1
	$ 727	$ 947	**$ (36)**	$ 49

Every three years, an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of plan funding. The latest full actuarial valuation was carried out at September 30, 2007. For accounting purposes a second actuarial valuation of the benefit obligations was performed at September 30, 2008 using plan asset data at September 30, 2008 to satisfy disclosure requirements under CICA 3461.

10. SHARE CAPITAL

Authorized: 10,000,000 common shares with a par value of $100 each.

Issued and outstanding: 2,576,885 common shares held by the Province.

As all of the issued and outstanding common shares of the Company are held by the Province, earnings per share data has not been provided.

11. COMMITMENTS

The following is a schedule of future minimum payments at December 31, 2008, required under non-cancelable operating leases of office equipment and office space:

2009	$ 296
2010	248
2011	248
2012	256
2013	262
Thereafter	153
	$ 1,463

12. CONTINGENT LIABILITIES

The Company is contingently liable with respect to environmental obligations and pending litigation and claims arising in the normal course of business. Provisions have been made based on the best estimates of management with the information available. Estimates are periodically reviewed and will be adjusted in the period that additional information becomes available.

(a) The Company leases a portion of the property used in the Vancouver Wharves terminal operations in North Vancouver from Canada Lands Company Limited ("CLCL"). The Vancouver Wharves operations were transferred to a new operator in 2007 as described in Note 2, however, the CLCL lease remains with the Company and the new operator has access rights to carry on terminal operations.

On February 6, 2003, the Company received a notice of default on its lease from CLCL. The current lease with CLCL expired April 11, 2004 and CLCL advised the Company that, based on the alleged defaults under the lease, it had no right to renew the lease. The Attorney General of Canada and CLCL filed a Petition on August 6, 2004 seeking a writ of possession of the leased lands. In August 2007, the parties reached Settlement Agreement which sets out the process for vacating the property and the agreed amount of rent owing to the date the site is vacated. The costs of vacating the property as well as any resulting site reconfiguration costs related to the Vancouver Wharves operation have been assumed by the new operator.

(b) On June 14, 2002, the Attorney General of Canada commenced legal proceedings in the B.C. Supreme Court against the Company and its subsidiaries alleging that those entities are responsible for soil and groundwater contamination on a site adjacent to the VWLP operation and in Burrard Inlet adjacent to that property as included in the lease described in (a) above. On February 1, 2008, an Agreement in Principle ("AIP") was reached with Environment Canada. The expiry date of the AIP has been extended to August 1, 2009. The AIP will form the basis of the negotiations of a final agreement. Based on the agreement principles, management has estimated and accrued a liability in the financial statements.

(c) The risk of environmental liability is inherent in the operation of the Company's business with respect to both current and past operations. As a result, the Company incurs costs, on an ongoing basis, associated with environmental regulatory compliance and clean-up requirements.

The Company has made accruals for both anticipated expenditures on existing environmental remediation programs and contingent liabilities in relation to specific sites where the expected costs can be reasonably estimated.

The Company believes it has identified the costs likely to be incurred over the next several years, based on known information. However, ongoing efforts to identify potential environmental concerns associated with the Company's properties may lead to future environmental investigations, which may result in the identification of additional environmental costs and liabilities, the magnitude of which cannot be reasonably estimated.

(d) The Province and BCRC have provided commercial indemnities to CN with respect to the CN Transaction and indemnities related to income tax attributes of BC Rail at closing. As at December 31, 2008, the maximum present value (calculated at 9%) of amounts payable under the tax indemnities related to income tax attributes (excluding any reimbursement of professional fees, tax arrears, interest or taxes payable, if any, on indemnity payments) is approximately $538 million. These indemnities remain in effect until 90 days after the last date on which a tax assessment or reassessment can be issued in respect of the income tax attributes. Management believes it is unlikely that the Province or BCRC will ultimately be held liable for any amounts under the commercial and tax indemnities.

13. INTEREST INCOME

	2008	2007
Interest earned on short-term money market instruments	$ 7,531	$ 11.414
Other interest income (expense)	2,497	1.183
	$ 10,028	$ 12,597

14. STATEMENT OF CASH FLOWS - SUPPLEMENTAL INFORMATION

(a) The components of changes in non-cash working capital balances relating to operations are as follows:

	2008	2007
Accounts receivable	$ (748)	$ (503)
Materials and other items	(181)	376
Accounts payable and accrued liabilities	(6,972)	4,134
Deferred revenue	(321)	205
	$ (8,222)	$ 4,212

(b) The following interest was received in the current year

	2008	2007
Interest received from third parties	$ 10,028	$ 12,597
	$ 10,028	$ 12,597

15. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the current year's financial statement presentation.

GOVERNANCE

BCRC's seven-member Board of Directors, appointed by the Shareholder, reports to the Minister of Transportation and Infrastructure and is responsible for overseeing the conduct of business, directing management and ensuring that all major issues affecting BCRC's affairs are given appropriate consideration. Governance at BCRC can be located at www.bcrco.com.

The Board of Directors is comprised of the following appointees:

John R. McLernon, Chair
Bev A. Briscoe
Brian G. Kenning
Len S. Marchand
Daniel R. McLaren
Robert L. Phillips
Jim R. Yeates

The Board functions though a series of committees appointed to deal with specific matters.

There are currently three standing committees of the Board:

Audit, Finance and Risk Management Committee
Members: Brian G. Kenning (Chair), Bev A. Briscoe

- Assists the Board of Directors in fulfilling its obligations and oversight responsibilities relating to the audit process, financial reporting, the system of corporate controls, the governance of financial investments and various aspects of risk management.

Environment and Safety Committee
Members: Robert L. Phillips (Chair), Daniel R. McLaren, Jim R. Yeates

- Assists the Board of Directors in fulfilling its obligations and oversight responsibilities related to adherence to environmental laws and regulations and the safety of employees and the general public who may be impacted by BCRC's activities.

Human Resources, Governance and Nominating Committee
Members: Len S. Marchand (Chair), John R. McLernon

- Assists the Board of Directors by fulfilling obligations relating to senior management human resource and compensation issues, ensuring that appropriate corporate governance policies and procedures are in place, and making certain that the membership of the Board is relevant to the obligations of BCRC.

BCRC's officers:

Kevin Mahoney, President and Chief Executive Officer
Linda Shute, C.A., Vice President Finance and Chief Financial Officer (on Maternity Leave)
Kevin Steinberg, C.A., Vice President Finance and Chief Financial Officer (Acting)
John Lusney, Executive Vice President, Real Estate
Gordon Westlake, Vice President Operations and Corporate Affairs
Shelley Westerhout Hardman, Manager Administration and Corporate Secretary

Sound corporate governance principles are essential to the success of every commercial enterprise. BCRC is committed to ensuring corporate governance principles guide the organization's continued success. A Code of Conduct for all BCRC employees, officers, agents and directors was introduced in 1995, which, amended as required, remains in effect today. The Code reflects and emphasizes the organization's values of integrity, fiscal responsibility, accountability, safety and respect.

The Board of Directors adopted Standards of Ethical Conduct for Directors and Officers in 1999, which, amended as required, remains in effect today. The Standards recognize the additional responsibilities and duties that directors and officers have to BCRC. The implementation of the Standards of Ethical Conduct for Directors and Officers includes the appointment by the Board of Directors of an Ethics Advisor to provide advice to directors and officers on the application and interpretation of the standards.

In accordance with present guidelines for corporate governance, all members of the Board are independent and unrelated and have no other affiliation with BCRC beyond their role as directors. Each Board meeting begins with a declaration and review of any conflicts directors may have. The roles of the Chair and the CEO are separate and distinct, with no overlap of responsibilities.

BCRC continues to review its governance practices to ensure that they are consistent with the Code and the Best Practices Guidelines issued by the Shareholders' Board Resourcing & Development Office for the sound direction and management of BCRC. The Board of Directors carries out its duties with the primary objective of enhancing shareholder value.

The Board has the authority and duty to supervise management of BCRC's business affairs. Management reviews and revises the objectives for BCRC with the Board, which considers and approves those objectives and monitors progress towards their achievement.

The service plan and forecast are reviewed and approved by the Board prior to the start of the fiscal year. The approval of the service plan and budget establishes the authority of senior management to take the actions indicated in the service plan and their responsibility for implementation. Other material matters not reflected in the budget, including raising capital, acquisitions and divestitures, require approval of the Board. Through reports distributed to the Board and at quarterly directors' meetings, management reviews with the Board the progress of business units in meeting the service plan and budgets.

Management has primary responsibility for establishing objectives for BCRC designed to exploit all opportunities available to diminish the risks to which its business is subject in order to enhance returns to the shareholder. Management regularly reviews the objectives to ensure that they are in keeping with the state of the environment within which BCRC operates. In pursuit of these objectives, management prepares an annual service plan and a three-year strategic plan, including financial forecasts.

Contact Information

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